



1st QUARTER REPORT 2017-18



42 YEARS
IN THE MAKING



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COMPANY INFORMATION

Board of Directors

Mr. Ebrahim Qassim	Chairman
Mr. M. Haroon Qassim	Chief Executive
Mr. Vali Muhammad A. Habib	Director
Mr. Pir Muhammad	Director
Mrs. Saadia Butt Naveed	Director
Mr. Syed Imran Chishti	Director
Mr. Muhammad Salman Qassim	Director

Audit Committee

Mr. Pir Muhammad	Chairman
Mr. Vali Muhammad A. Habib	Member
Mr. Syed Imran Chishti	Member

Human Resource & Remuneration Committee

Mr. Vali Muhammad A. Habib	Chairman
Mr. M. Haroon Qassim	Member
Mr. Syed Imran Chishti	Member

Company Secretary & CFO

Mr. M. Zaid Kaliya

Head of Internal Audit

Mr. M. Shakeel Dhanani

Legal Advisors

M/s. Lubna Pervez & Associates

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers

Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited

Registrar & Share Registration Office

Central Depository Company of Pakistan
CDC House,
Shahrah-e-Faisal,
Karachi.

Registered Office

37-G, Block 6,
P.E.C.H.S.,
Karachi.

Factory

Plot No. 368/4 & 5
Landhi Industrial Area
Baldia Road,
Karachi.

Email & URL

mail@shield.com.pk
www.shield.com.pk



DIRECTORS' REVIEW

On behalf of the Board of Directors, it is our pleasure to present the un-audited accounts for the period ended September 30, 2017.

	September, 2017 (Rupees)	September, 2016 (Rupees)
Financial Summary		
Sales	353,136,160	322,814,461
Profit after taxation	7,986,217	15,264,088
Un-appropriated profit brought forward	248,810,363	222,151,550
Profit available for appropriation	256,796,580	237,415,638
Earnings per share	2.05	3.91

Sales for the three months recorded an increase of 9.39% over the same period last year, from Rs. 323 million to Rs. 353 million. Selling and distribution expenses increased by Rs. 20 million; Finance cost of the Company increased by Rs. 2 million as an asset procured by the Company was financed by Diminishing Musharakah. As a result, earnings per share decreased to Rs. 2.05 per share from Rs. 3.91 per share of last year. Your management is doing its best to achieve current year targets and sustainable growth in sales by execution of aggressive and focused advertisement and promotion plans in next quarter.

The Board of Directors would like to express their gratitude to all employees for their committed efforts, loyalty and dedications.

On behalf of the Board



M. Haroon Qassim
Chief Executive



Wali Muhammad A. Habib
Director

Karachi: October 27, 2017



ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2017 کو ختم ہونے والی مدت کے غیر آڈٹ شدہ اکاؤنٹس کی تفصیلات پیش کر رہے ہیں۔

ستمبر 2016 (روپے)	ستمبر 2017 (روپے)	سرمائے کا خلاصہ
322,814,461	353,136,160	سیلز
15,264,088	7,986,217	بعد از ٹیکس منافع
222,151,550	248,810,363	سابقہ غیر استعمال شدہ منافع
237,415,638	256,796,580	استعمال کے لیے دستیاب منافع
3.91	2.05	فی شیئر بنیادی آمدنی

گزشتہ سال کی پہلی سہ ماہی کے مقابلے میں موجودہ سال کی پہلی سہ ماہی کی سیلز میں 9.39% کا اضافہ ریکارڈ کیا گیا جو 323 ملین روپے سے بڑھ کر 353 ملین روپے تک پہنچ گئی۔ کمپنی کی سیلز اور ڈسٹری بیوشن کے اخراجات میں 20 ملین روپے کا اضافہ ہوا۔ کمپنی کے مالی اخراجات میں 2 ملین روپے تک کا اضافہ ہوا۔ جس کی وجہ کمپنی کی جانب سے شرکت متناقصہ کے ذریعے اثاثے کی خریداری ہے۔ جس کے نتیجے میں فی شیئر آمدنی 3.91 روپے سے کم ہو کر 2.05 روپے ہو گئی۔ آپ کی میجمنٹ موجودہ سال کے اہداف کے حصول اور سیلز میں پائیدار اضافے کے لیے اپنی بھرپور کوششیں کر رہی ہے، جس کے لیے اگلی سہ ماہیوں میں تشہیر اور پروموشنز کے منظم منصوبوں پر جارحانہ انداز میں عمل درآمد کیا جائے گا۔

بورڈ آف ڈائریکٹرز تمام ملازمین کا ان کی پرعزم کوششوں، وفاداری اور لگن پر شکرگزاری کا اظہار کرتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

ولی محمد اے حبیب
ڈائریکٹر


ایم ہارون قاسم
چیف ایگزیکٹو

کراچی: 27 اکتوبر، 2017ء


CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2017

		(Un-Audited) September 30, 2017 (Rupees)	(Audited) June 30, 2017 (Rupees)
ASSETS	Note		
Non-Current Assets			
Property, plant and equipment	4	441,292,707	444,273,154
Intangible assets - software		58,334	66,667
Long term deposits		4,522,500	4,522,500
Long term loans and advances		60,829	96,645
		<u>445,934,370</u>	<u>448,958,966</u>
Current Assets			
Store and spares		17,712,980	17,631,931
Stock-in-trade		304,951,304	269,903,709
Trade debtors - unsecured, considered good		17,306,264	15,977,758
Loans and advances		15,663,378	19,595,723
Deposits and short term prepayments	5	35,977,351	1,396,874
Taxation		30,277,139	56,548,899
Cash and bank balances		1,375,056	1,088,705
		<u>423,263,472</u>	<u>382,143,599</u>
Total Assets		<u><u>869,197,842</u></u>	<u><u>831,102,565</u></u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
15,000,000 (June 30, 2017: 15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed & paid-up capital			
3,900,000 (June 30, 2017: 3,900,000) ordinary shares of Rs. 10/- each		39,000,000	39,000,000
Reserves		65,000,000	65,000,000
Accumulated profit		256,796,580	248,810,363
		<u>360,796,580</u>	<u>352,810,363</u>
Non-Current Liabilities			
Deferred liabilities		77,860,040	81,763,249
Long term financing - secured	6	71,500,000	77,000,000
		<u>149,360,040</u>	<u>158,763,249</u>
Current Liabilities			
Trade and other payables		173,574,382	108,289,727
Accrued mark-up		1,854,551	1,736,227
Current portion of long term financing		22,000,000	23,640,246
Short term bank finances - secured	7	154,795,314	146,939,698
Provision for taxation		6,816,975	38,923,055
		<u>359,041,222</u>	<u>319,528,953</u>
Contingencies and Commitments	8	-	-
Total Equity and Liabilities		<u><u>869,197,842</u></u>	<u><u>831,102,565</u></u>

The annexed notes form an integral part of this condensed interim financial information.


M. Haroon Qassim
Chief Executive


Wali Muhammad A. Habib
Director


M. Zaid Kaliya
Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2017 (Un-Audited)

		For the First Quarter ended September, 2017 (Rupees)	September, 2016 (Rupees)
	Note		
Net sales	9	353,136,160	322,814,461
Cost of sales		(229,378,593)	(214,900,662)
Gross profit		123,757,567	107,913,799
Selling and distribution expenses		(85,759,147)	(65,025,472)
Administrative and general expenses		(17,430,806)	(13,712,739)
Other operating expenses		(1,286,124)	(1,990,733)
Other operating income		429,041	451,701
Operating profit		19,710,531	27,636,556
Finance costs		(4,019,628)	(1,895,983)
Profit before taxation		15,690,903	25,740,573
Taxation		(7,704,686)	(10,476,485)
Profit after taxation		7,986,217	15,264,088
Other comprehensive income		-	-
Total comprehensive income for the period		7,986,217	15,264,088
Earning per share - basic and diluted		2.05	3.91

The annexed notes form an integral part of this condensed interim financial information.



M. Haroon Qassim
Chief Executive



Vali Muhammad A. Habib
Director




M. Zaid Kaliya
Chief Financial Officer



CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2017 (Un-Audited)

	For the First Quarter ended	
	September, 2017 (Rupees)	September, 2016 (Rupees)
Cash Generated from Operations		
Profit before taxation	15,690,903	25,740,573
Adjustments for:		
Depreciation	11,479,137	8,985,901
Amortization	8,333	-
Provision for gratuity	2,844,184	3,391,078
Loss on disposal of property, plant & equipment	107,198	83,001
Finance costs	4,019,628	1,895,983
Profit before working capital changes	18,458,480	14,355,963
(Increase) / decrease in Current Assets:		
Stores and spares	(81,049)	(417,153)
Stock -in -trade	(35,047,595)	3,587,846
Trade debtors	(1,328,506)	(7,717,920)
Loans and advances	3,932,345	(28,987,175)
Deposits and short term prepayments	(34,580,477)	(2,627,055)
	(67,105,282)	(36,161,457)
Increase / (decrease) in Current liabilities		
Trade & other payables	65,284,655	36,455,527
Cash generated from operations	32,328,756	40,390,606
Payments for:		
Gratuity	(7,501,121)	(2,298,600)
Long term loans and advances	35,816	(231,605)
Finance costs	(3,901,304)	(1,441,515)
Taxes	(12,785,278)	(5,639,909)
Net cash from operating activities (A)	8,176,869	30,778,977
Cash Flow From Investing Activities		
Fixed capital expenditure including capital work-in-progress	(8,618,697)	(2,091,446)
Sales proceeds from disposal of property, plant & equipment	12,809	19,500
Net cash used in investing activities (B)	(8,605,888)	(2,071,946)
Cash Flow From Financing Activities		
Long term financing - diminishing musharakah payments	(7,140,246)	(5,652,747)
Net cash used in financing activities (C)	(7,140,246)	(5,652,747)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(7,569,265)	23,054,284
Cash and cash equivalents at the beginning of the period	(145,850,993)	(146,325,203)
Cash and cash equivalents at the end of the period	(153,420,258)	(123,270,919)
Cash and Cash Equivalents		
Cash and bank balances	1,375,056	1,178,645
Short term bank finances	(154,795,314)	(124,449,564)
	(153,420,258)	(123,270,919)

The annexed notes form an integral part of this condensed interim financial information.


M. Haroon Qassim
Chief Executive


Wali Muhammad A. Habib
Director


M. Zaid Kaliya
Chief Financial Officer


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2017 (Un-Audited)

	Share Capital (Rupees)	Capital Reserve Share Premium (Rupees)	Revenue Reserve		Total (Rupees)
			General Reserve (Rupees)	Unappropriated Profit (Rupees)	
Balance as at July 01, 2016	39,000,000	10,000,000	55,000,000	222,151,550	326,151,550
Total comprehensive income for the period ended September 30, 2016	-	-	-	15,264,088	15,264,088
Balance as at September 30, 2016	39,000,000	10,000,000	55,000,000	237,415,638	341,415,638
Balance as at July 01, 2017	39,000,000	10,000,000	55,000,000	248,810,363	352,810,363
Total comprehensive income for the period ended September 30, 2017	-	-	-	7,986,217	7,986,217
Balance as at September 30, 2017	39,000,000	10,000,000	55,000,000	256,796,580	360,796,580

The annexed notes form an integral part of this condensed interim financial information.


M. Haroon Qassim
Chief Executive


Wali Muhammad A. Habib
Director


M. Zaid Kaliya
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2017 (Un-Audited)

1 Status and Nature of Business

Shield Corporation Limited (the Company) was incorporated in Pakistan on January 10, 1975 and quoted on Pakistan Stock Exchange Limited in Pakistan. The registered office of the Company is situated at 37-G, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi. The company is mainly engaged in the manufacturing, trading and sales of oral and baby care products.

2 Basis of Preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2017.

3 Significant Accounting

3.1 Policies

Accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2017.

3.2 Accounting estimates and judgements

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2017.

3.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2017, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in this condensed interim financial information.

		(Un-audited) Sep. 30, 2017 (Rupees)	(Audited) June 30, 2017 (Rupees)
4 Property, Plant & Equipment	Note		
Operating fixed assets - at net book value	4.1	440,330,382	443,510,654
Capital work in progress - at cost		962,325	762,500
		<u>441,292,707</u>	<u>444,273,154</u>
4.1 Movement in operating fixed assets:			
Opening - at net book value		443,510,654	351,097,413
Add: Additions during the period - at cost	4.2	8,418,872	154,890,864
		451,929,526	505,988,277
Less: Depreciation charged during the period		(11,479,137)	(43,841,099)
Less: Disposals during the period - at net book value	4.2	(120,007)	(18,636,524)
		(11,599,144)	(62,477,623)
Closing - at net book value		<u>440,330,382</u>	<u>443,510,654</u>

4.2 Details of additions and disposals to operating assets are:

	Additions (at cost)		Disposals (at net book value)	
	Sep. 30, 2017	June 30, 2017	Sep. 30, 2017	June 30, 2017
	(Rupees)		(Rupees)	
Office Premises	-	129,147,945	-	14,498,778
Plant & machinery	8,048,612	18,393,292	-	1,070,414
Furniture & fixtures	-	1,557,797	-	2,230,712
Office equipments	240,260	2,588,705	103,410	583,796
Computer equipments	130,000	3,203,125	16,597	252,824
	<u>8,418,872</u>	<u>154,890,864</u>	<u>120,007</u>	<u>18,636,524</u>

		(Un-audited) Sep. 30, 2017 (Rupees)	(Audited) June 30, 2017 (Rupees)
5	Deposits and short term prepayments		
	Security deposits	772,786	1,077,937
	Prepayment and other receivables	35,204,565	318,937
		<u>35,977,351</u>	<u>1,396,874</u>

6 Long term financing - secured

Diminishing musharakah arrangements

	Installment payable	Repayment period	Mark-up rate		
Bank Al-Habib Limited - Islamic banking	Quarterly	2017-21	0.50% above 6 months KIBOR	6.1	93,500,000
Bank Al-Habib Limited - Islamic banking	Quarterly	2015-17	0.75% above 6 months KIBOR		-
Less: Current portion shown under current liabilities					
Bank Al-Habib Limited - Islamic banking				6.1	(22,000,000)
Bank Al-Habib Limited - Islamic banking					-
					(22,000,000)
					<u>71,500,000</u>
					<u>99,000,000</u>
					<u>1,640,246</u>
					<u>(23,640,246)</u>
					<u>77,000,000</u>

6.1 Islamic finance under diminishing musharakah is secured by a mortgage of head office property.

7 Short term bank finances - secured

Murabaha finance	7.1	54,687,449	90,698,740
Running Musharakah	7.2	100,107,865	56,240,958
		<u>154,795,314</u>	<u>146,939,698</u>

- 7.1** This represent murabaha finance obtained under profit arrangements and are secured against hypothecation of moveable fixed assets and hypothecation of current assets of the Company. The Company enjoys a total facility of Rs. 250 million (June 30, 2017: Rs.220 million) at a profit rate ranging from relevant KIBOR + 0.20% to 0.75% (June 30, 2017 : KIBOR + 0.20% to 0.75%) per annum.
- 7.2** This represent running musharakah obtained under profit arrangements and are secured against hypothecation of moveable fixed assets of the Company. The Company enjoys a total facility of Rs. 100 million (June 30, 2017 : Rs. 80 million) at a profit rate of relevant KIBOR + 0.50% (June 30, 2017: KIBOR + 0.50%) per annum.

8 Contingencies & Commitments

8.1 Contingencies

- 8.1.1** Contingent liability in respect of guarantees and counter guarantees is Rs. 8.09 million (June 30, 2017 : Rs. 7.59 million). Out of this Rs. 3 million (June 30, 2017 : Rs. 2.50 million) represents the guarantee issued to Pakistan State Oil against commercial and fleet cards for fuel / diesel and Rs. 5 million (June 30, 2017 : Rs. 5 million) represents guarantee provided in relation to defending a trade mark in the Honorable High Court of Sindh for Rs. 42 million (June 30, 2017 : Rs. 42 million). The management is hopeful that case will be decided in Company's favour, as such no provision has been made in this financial information.
- 8.1.2** The Company has filed a constitutional petition in Honorable High Court of Sindh against registration of FIR by tax authorities for alleged inadmissibility of input tax on the ground that the suppliers were not bonafide suppliers. The Honorable High Court of Sindh in its judgement has given detailed guideline to FBR determining the procedure to follow in this case. The matter is pending with Special Judge of Custom Court. The Company has deposited post dated cheques amounting to Rs. 9 million in favour of Custom Court as a security. The management based on entity's legal counsel is hopeful that the case will be decided in Company's favour and hence no provision has been made in this financial information.
- 8.1.3** The Company has issued post dated cheques in favour of collector of customs amounting to Rs. 0.13 million (June 30, 2017 : Rs. 0.13 million) under SRO 565 (I) / 2006 dated June 5, 2006 for the reduction of duty as an indemnity guarantee. The collector of customs will refund these cheques upon satisfactory compliance of the requirements of SRO.
- 8.1.4** The Company has filed a suit for infringement and passing off its Trade Mark Shield against Dalda foods (Private) Limited in which earlier interim stay was granted which was later on confirmed by Honorable High Court of Sindh. Later on Dalda foods (Private) Limited has filed an appeal against the confirmation of stay order which was granted by Honorable High Court of Sindh. Shield Corporation Limited had filed an appeal in Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan referred the case to the Honorable High Court of Sindh to form the commission for deciding the case as per merit. Based on the entity's counsel advice, the management is confident that the case will be decided in company's favour.
- 8.1.5** The Company has filed a constitutional petition in Honourable High Court of Sindh against impugned recovery notice for Rs. 2.5 million of Karachi Municipal Corporation; (KMC) on account of Municipal Utility Charges Tax (MUCT) arrears. Based on the Company's legal counsel view, they have fair case in hand and aforesaid demand raised by the KMC suffers prima facie legal inconsistency. Accordingly the management is hopeful for the favourable outcome of the court case and hence no provision has been made in this financial information.
- 8.1.6** The Company has filed a constitutional petition in Honourable High Court of Sindh challenging the amendments in the Employees' Old-Age Benefits Act, 1976 enhancing the wage limits for the purpose of Contribution with retrospective effect against which the Honourable High Court of Sindh has issued Stay Order. Based on the Company's legal counsel view, the case will be decided in favour of the Company and hence no provision has been made in this financial information.

8.2 Commitments

- 8.2.1** The Company has letter of credit commitments for purchases amounting to Rs. 82.38 million (June 30, 2017: Rs. 54.75 million).
- 8.2.2** The Company has letter of credit and other commitments for capital expenditures amounting to Rs. 23.44 million (June 30, 2017: Rs. 26.78 million).



8.2.3 The Company has commitments in respect of Rent of Diminishing Musharakah as follows:

	(Un-audited) Sep 30, 2017 (Rupees)	(Audited) June 30, 2017 (Rupees)
Later than one year but not later than three years	8,333,576	9,626,163
Not later than one year	5,675,141	6,073,392
	<u>14,008,717</u>	<u>15,699,555</u>
	For the period Jul-Sep., 2017 (Rupees)	For the period Jul-Sep., 2016 (Rupees)

9 Net sales

Sales - local	442,110,078	397,155,047
Sales tax	(64,724,731)	(58,353,762)
	<u>377,385,347</u>	<u>338,801,285</u>
Discounts	(24,326,519)	(19,670,283)
	<u>353,058,828</u>	<u>319,131,002</u>
Sales - export	77,332	3,683,459
	<u>353,136,160</u>	<u>322,814,461</u>

10 Transactions with related parties

The related parties comprise of associated undertakings, key management personnel and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties. Other significant transactions with related parties are as follows:

Relationship	Nature of transactions	For the period Jul-Sep., 2017 (Rupees)	For the period Jul-Sep., 2016 (Rupees)
Associated undertaking	Sale of goods - Premier Agencies	345,695,139	316,245,932
Staff retirement funds	Contribution to employees provident fund	1,168,270	1,026,295
Associated undertakings	Sale of goods - Memon Medical Institute	118,689	1,016
Key management personnel	Remuneration and benefits	6,410,218	5,581,576

11 Authorization

This condensed interim financial information was authorised for issue on October 27, 2017 by the board of directors of the Company.

12 General

Figures have been rounded off to the nearest rupee.


M. Haroon Qassim
Chief Executive


Wali Muhammad A. Habib
Director


M. Zaid Kaliya
Chief Financial Officer



SHIELD CORPORATION LTD.

37-G, Block-6, P.E.C.H.S., Karachi - 75400, Pakistan.

Tel: [92-21] 34385003-4 Fax: [92-21] 34556344

Web: www.shield.com.pk Email: mail@shield.com.pk



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Shieldmuskurahat